

ORIGINAL

OPEN MEETING



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MEMORANDUM RECEIVED

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2007 NOV 15 P 2: 16

TO: THE COMMISSION

FROM: Utilities Division

ARIZ CORP COMMISSION
DOCUMENT CONTROL


DATE: November 15, 2007

RE: **ADDENDUM TO ARIZONA PUBLIC SERVICE COMPANY'S REVISED LINE EXTENSION TARIFF SCHEDULE 3 (DOCKET NOS. E-01345A-05-0816, E-01345A-05-0826 AND E-01345A-05-0827)**

This memorandum is an addendum to the Memo dated November 2, 2007, addressing the referenced Docket. The purpose of this Memo is to address an issue that Staff inadvertently failed to address in its previous Memorandum (dated November 2, 2007). In its filing on October 24, 2007, APS proposed a transition plan affecting the applicability of the revised Line Extension Schedule 3. APS proposed that all those applicants who have executed line extension agreements as of the date that this revised Schedule 3 is approved would be "grandfathered" into the old Schedule 3. Staff agrees with APS' proposal.

APS provided two options that would allow for additional grandfathering. Applicants that have not executed a line extension agreement could be "grandfathered" if they meet both of the following conditions: (1) such applicant has received from APS, within six months prior to the approval of revised Schedule 3, a written estimate of the costs to the applicant for extending service; and (2) that same applicant executes a written line extension agreement within 12 months of the effective date of the revised Schedule 3. A variant on this option would have the 12 months run from the date the written estimate is received by the applicant, which would give each potential applicant the same amount of time after having received an estimate from APS to execute a line extension agreement. Staff recommends the Commission approve the first alternative.

The revised Recommended Opinion and Order that incorporates Staff's recommendation in regards to APS' transition plan is attached herewith.


Ernest G. Johnson
Director
Utilities Division

EGJ:PKB:lhv\JFW

ORIGINATOR: Prem Bahl

Arizona Corporation Commission
DOCKETED

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 MIKE GLEASON

Chairman

3 WILLIAM A. MUNDELL

Commissioner

4 JEFF HATCH-MILLER

Commissioner

5 KRISTIN K. MAYES

Commissioner

6 GARY PIERCE

Commissioner

7
8 IN THE MATTER OF THE APPLICATION
9 OF ARIZONA PUBLIC SERVICE
10 COMPANY - REVISED LINE EXTENSION
11 TARIFF SCHEDULE 3
12
13

DOCKET NOS. E-01345A-05-0816

E-01345A-05-0826

E-01345A-05-0827

14 DECISION NO. _____

15 ORDER

16 Open Meeting
17 November 27 and 28, 2007
18 Phoenix, Arizona

19 BY THE COMMISSION:

20 FINDINGS OF FACT

21 1. Arizona Public Service Company ("APS") is certificated to provide electric service
22 as a public service corporation in the State of Arizona.

23 2. Decision No. 69663 ordered APS, within 30 days after the effective date of the
24 Decision, to file for Commission approval a revised Line Extension Tariff that eliminates any free
25 footage or free equipment allowance, and remove any requirement for any economic feasibility
26 analysis in its line extension policy.

27 3. On July 27, 2007, APS filed in Docket Control the revised Schedule 3. On
28 October 24, 2007, APS filed an amended version of its proposed Schedule 3 tariff, which replaced
the Company's July 27, 2007 filing.

4. The current Schedule 3 grants equipment allowances and/or economic feasibility
analyses. For example, there is a \$5,000 equipment allowance for single family homes.

1 Elimination of the free allowance and economic feasibility analyses is in accordance with the
2 waivers of Arizona Administrative Code R14-2-207(C.1 and C.2) granted by Decision No. 69663.

3 5. Staff is in agreement with the proposed tariff filed by APS on October 24, 2007,
4 which removes all free footage and free equipment allowance for all classes of customers, and
5 eliminates economic feasibility analysis in all line extension cases. However, Staff takes
6 exception to what is stated in the second paragraph of Schedule 3, "...All payments received for
7 new or upgraded service under provisions of this schedule shall be non-refundable and treated as
8 Other Electric Revenue."

9 6. Staff believes that discussion of the accounting treatment of payments should not be
10 included in the tariff, and, therefore, the sentence should be deleted from the tariff. Furthermore,
11 Staff disagrees with APS' contention that these payments should be treated as revenues. Staff
12 believes that these payments should continue to be treated as Contributions in Aid of Construction
13 ("CIAC") until the Commission orders otherwise.

14 7. Staff has recommended approval of the amended Schedule 3 tariff filed by APS on
15 October 24, 2007, with the above noted exception.

16 8. Along with its proposal for the new Schedule 3, APS also submitted the transition
17 plan describing how this new Schedule 3 would be implemented. APS proposed that all those
18 applicants who have executed line extension agreements as of the date that this revised Schedule 3
19 is approved would be "grandfathered" into the old Schedule 3. Staff agrees with APS' proposal.

20 9. APS provided two options that would allow for additional grandfathering.
21 Applicants that have not executed a line extension agreement could be "grandfathered" if they
22 meet both of the following conditions: (1) such applicant has received from APS, within six
23 months prior to the approval of revised Schedule 3, a written estimate of the costs to the applicant
24 for extending service; and (2) that same applicant executes a written line extension agreement
25 within 12 months of the effective date of the revised Schedule 3. A variant on this option would
26 have the 12 months run from the date the written estimate is received by the applicant, which
27 would give each potential applicant the same amount of time after having received an estimate
28 ...

1 from APS to execute a line extension agreement. Staff recommends the Commission approve the
2 first alternative.

3 10. Staff has further recommended that within 15 days of the effective date of the order
4 in this matter, APS file with Docket Control, as a compliance matter in this docket, amended tariff
5 pages that are consistent with the Decision in this matter.

6 CONCLUSIONS OF LAW

7 1. APS is an Arizona public service corporation within the meaning of Article XV,
8 Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over APS and over the subject matter of the
10 application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated
12 November 2, 2007, concludes that the Schedule 3 tariff filed on October 24, 2007, amended to
13 include Staff's recommendation in Findings of Fact No. 6, is in the public interest.

14 4. The Commission, having reviewed the application and Staff's Addendum
15 Memorandum dated November 15, 2007, concludes that APS' Transition Plan as recommended by
16 Staff in Finding of Fact No. 9 is in the public interest.

17 ORDER

18 IT IS THEREFORE ORDERED that the APS Schedule 3 tariff filed on October 24, 2007,
19 is hereby approved, with the modifications recommended in Finding of Fact No. 6.

20 IT IS THEREFORE ORDERED and that APS adopt the transition plan recommended by
21 Staff as described in Finding of Fact No. 9.

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1 IT IS FURTHER ORDERED that within 15 days of the effective date of the order in this
2 matter, APS file with Docket Control, as a compliance matter in this docket, amended tariff pages
3 that are consistent with the Decision in this matter.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
8 _____
CHAIRMAN

COMMISSIONER

9
10 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto, set my hand and caused the official seal of
15 this Commission to be affixed at the Capitol, in the City of
16 Phoenix, this _____ day of _____, 2007.

17 _____
18 DEAN S. MILLER
Interim Executive Director

19
20 DISSENT: _____

21 DISSENT: _____

22 EGJ:PKB:lhmvJFW
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26
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